

TOP SECRET

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TOP SECRET

SUMMARY

FAR EAST

1. Indonesia reluctant to classify rubber as strategic (page 3).

SOUTH ASIA

2. India expresses concern over Sino-Tibetan agreement (page 3).

25X1

5. Western diplomats consider imminent hostilities against Yugoslavia unlikely (page 6).

WESTERN EUROPE

6. Dispute over Saar's status subsides (page 7).
7. French election picture appears somewhat brighter (page 7).

25X1A

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25X1A

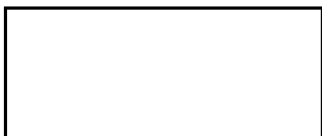
- 2 -

25X1A

FAR EAST

1. Indonesia reluctant to classify rubber as strategic:

25X1A



The Indonesian Ambassador to the US, presently in Djakarta has admitted to US Ambassador Cochran that Indonesian officials are reluctant to include rubber

on the list of strategic materials now being drawn-up in connection with the UN embargo on shipments to Communist China. He pointed out that other countries might classify rubber as non-strategic, and that he, in any case, was under the impression that the US would be satisfied if Indonesia adhered to its "historic pattern" in foreign trade. The US Ambassador notes that Indonesia is unlikely to commit itself publicly to a full embargo on rubber so long as there is reason to doubt that the British will go that far.

Comment: Indonesian officials have pointed out that the Indonesian economy is highly dependent upon the income derived from rubber exports and that, in any event, Indonesia has not shipped rubber directly to the Soviet Orbit in the past. The bulk of Indonesian rubber has gone to Malaya for re-export; figures are not available on the amount of Indonesian rubber included in Malayan exports to China and the USSR.

SOUTH ASIA

2. India expresses concern over Sino-Tibetan agreement:

25X1



The US Minister Counselor in New Delhi, in discussing the recent Sino-Tibetan agreement with the Secretary-General of the Indian Ministry of External Affairs,

Affairs, received the impression that the Indian Government (a) was disappointed over the Tibetan failure to secure better terms, but (b) felt helpless in the face of developments and is likely to accept the agreement without protest. When pressed, the Secretary-General

25X1A

- 3 -

admitted that the agreement had far-reaching implications for his government. He added that a governmental committee, appointed to survey the problem of defending India's northeastern and eastern borders following the Communist Chinese invasion of Tibet last autumn, had recommended strengthening the border posts, improving communications and raising the conditions and morale of the inhabitants of the area who had always been neglected. He added that India was not a military power and there were definite limits to what it could do.

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5. Western diplomats consider imminent hostilities against Yugoslavia unlikely:

25X1A



According to the US Legation in Bucharest, Western diplomats in Rumania agree that an attack on Yugoslavia this summer appears unlikely, although the situation is always

explosive. The Legation acknowledges that more reports, largely unconfirmed, of Rumanian and Soviet troop movements are now circulating than at any time since last spring, but points out that movements into critical areas such as Western Rumania are customary during spring maneuvers. Thus, the departure of Rumania's only armored division from Bucharest in early May is in itself not considered alarming. The fact that there are no mounted anti-aircraft guns and no air raid directives in Bucharest is cited in support of the Western diplomats' estimate.

Comment: For over a year travel restrictions have limited the personal observations of Western diplomats to the immediate vicinity of Bucharest. In addition, numerous arrests and trials of Rumanians on "espionage" charges because of their contacts with Western missions have drastically curtailed sources of information available to Western diplomats. These factors tend to weaken the factual basis of any Western diplomatic estimate of military activity in the country. The fact that military maneuvers in the spring are traditional in the Balkan countries could furnish convenient cover for any military activity, but there is no firm indication of an imminent attack against Tito.

25X1A

WESTERN EUROPE

6. Dispute over Saar's status subsides:

25X1A



Schuman Plan author Monnet has told the US Embassy in Paris that he believes (a) a dangerous situation has been created in the Saar by the banning of the Saar Democratic Party, and (b) further actions of this sort could cause difficulties for Adenauer, whose political position is dependent on Franco-German friendship. On the other hand,

French Foreign Office officials claim they would have been "placed on the skids" if they had failed to act against the Saar Democratic Party. They add that they anticipate no additional steps in the matter.

Meanwhile, in the six-hour debate on the Saar in the West German Bundestag on 30 May, a temperate atmosphere prevailed, due chiefly to the mild tone of the addresses by both Chancellor Adenauer and Socialist opposition spokesman Carlo Schmid.

Comment: The Saar Democratic Party, a small group favoring the return of the Saar to Germany, was banned on the grounds that it was unconstitutional. The Bonn Government wants to support a Saar party working for union with Germany, but feels it cannot back the Saar's Socialists, many of whom favor such a union, because in West Germany the Socialist Party constitutes the chief opposition to the government. Unfortunately for Bonn, the Saar Democratic Party is reportedly exhibiting neo-fascist tendencies and, furthermore, in March of this year sent representatives to the first meeting of the German Congress, an organization attempting to coordinate the activities of groups opposing German remilitarization.

7. French election picture appears somewhat brighter:

25X1A



Proportional representation, which the new French electoral law was designed to reduce in the 17 June national elections, is expected to obtain in about two-thirds

25X1A

of the electoral contests of France. This is largely due to De Gaulle's unwillingness to form electoral alliances with the other non-Communist parties. Because of his intransigence, the newly organized Rightist-oriented "Fourth Force" has been obliged to form numerous electoral alliances with the middle-of-the-road "Third Force", which had managed to maintain a government despite the opposition of both extremes in the last Assembly. This development further reduces the chances for a Gaullist landslide and makes it somewhat less likely that the Gaullists and the Communists can obtain a majority between them. It is probable, however, that the combined Communist and Gaullist representation will be larger than the 210 seats held in the last Assembly.

Comment: If all non-Communist parties united for the elections, they would obtain majorities in most districts and Communist representation in the National Assembly would be almost wiped out. De Gaulle's strategy is calculated to reduce the strength of the middle-of-the-road parties by scaring the electorate into voting for his party as the only effective opposition to the Communists. This strategy will, however, also encourage those leftist voters seeking to counterbalance De Gaulle's strength to vote for Communist candidates. While the number of electoral alliances among Third and Fourth Force parties now indicates that a middle-of-the-road majority is still possible, this does not guarantee that a workable government will result.